

Message Text

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12

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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INFO AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME PRIORITY

USMISSION EC BRUSSELS PRIORITY

USMISSION OECD PARIS PRIORITY

USMISSION NATO PRIORITY

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E. O. 11652: GDS

TAGS: EEC PFOR

SUBJECT: GOL POSITION ON LOCATION OF EC MONETARY FUND

REF: BONN 4134

SUMMARY: GOL HAS TAKEN FIRM POSITION AGAINST CREATING
EUROPEAN MONETARY COOPERATION FUND UNTIL MEMBER STATES
AGREE TO LOCATE IT IN LUXEMBOURG. TO THE GOL THIS IS
A QUESTION OF VITAL NATIONAL INTEREST AND IT WILL
EXERCISE ITS VETO. GOL CLAIMS THAT BY OPPOSING THE
LOCATION IN LUXEMBOURG, GREAT BRITAIN IS BREAKING ITS
COMMITMENT TO ACCEPT THE 1965 EC OMPROMISE TO LOCATE
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ALL THE FINANCIAL AND LEGAL INSTITUTIONS OF THE COMMUNITY HERE. IMPASSE THREATENS TO DELAY INDEFINITELY THE SIGNING OF THE PROTOCOL (ORIGINALLY SCHEDULED FOR APRIL 1) FOR BRINGING THE EC MONETARY FUND INTO EXISTENCE.

1. GOL PRIME MINISTER PIERRE WERNER HAS SENT A LETTER TO EC COUNCIL PRESIDENT VAN ES LANDS TO THE EFFECT THAT THE GOL IS OPPOSED TO THE CREATION OF THE EUROPEAN MONETARY AND COOPERATION FUND UNDER PRESENT CIRCUMSTANCES. WERNER MAINTAINS THE PROBLEM IS THE REFUSAL OF A NEW MEMBER STATE (GREAT BRITAIN) TO HONOR ITS COMMITMENT TO RESPECT ENGAGEMENTS UNDERTAKEN BY THE EUROPEAN COMMUNITY BEFORE UK ADHESION. HE HAS IN MIND THE 1965 COMPROMISE UNDER WHICH LUXEMBOURG' S EC PARTNERS AGREED TO LOCATE ALL COMMUNITY LEGAL AND FINANCIAL INSTITUTIONS IN LUXEMBOURG AS COMPENSATION FOR THE LOSS OF THE COAL AND STEEL COMMUNITY WHEN IT WAS MERGED WITH THE EUROPEAN ECONOMIC COMMUNITY AND EURATOM IN BRUSSELS. BY CATEGORIZING THE QUESTION AS ONE INVOLVING VITAL NATIONAL INTEREST, LUXEMBOURG CAN PREVENT THE PROTOCOL CREATING THE NEW EUROPEAN FUND FROM COMING INTO EFFECT AS SCHEDULED APRIL 1.

2. THE BRITISH MOVE TO OPPOSE LUXEMBOURG AS THE SITE WAS SURPRISING. BRITISH OPPOSITION WAS NOT RAISED UNTIL AS LATE AS MARCH 5, LESS THAN ONE MONTH BEFORE THE PROTOCOL WAS DUE TO COME INTO EFFECT AND MORE THAN FOUR MONTHS AFTER LUXEMBOURG HAS SUBMITTED ITS FORMAL BID. THE GOL EXPECTED OBJECTION FROM FRANCE ONLY AND THEN MERELY AS A BARGAINING CHIP IN FRENCH CAMPAIGN TO LOCATE THE PROPOSED POLITICAL SECRETARIAT IN PARIS.

3. THE OSTENSIBLE REASON FOR THE BRITISH POSITION IS DESIRE NOT TO SEE COMMUNITY INSTITUTIONS FURTHER DISPERSED OUTSIDE OF BRUSSELS. BRITISH ALSO MAINTAIN THAT IF IT IS NOT POSSIBLE FOR THE FUND TO BE LOCATED IN BRUSSELS, NATURAL PLACE FOR THE FUND IS EUROPE' S FINANCIAL CENTER, LONDON. BRITISH SAY THE 1965 COMPROMISE IS NOT SUBVERTED BECAUSE IT PROVIDED FOR LOCATING FINANCIAL INSTITUTIONS IN LUXEMBOURG ONLY IF THEY COULD OPERATE EFFICIENTLY HERE WHICH BRITISH ALLEGE IS NOT LIMITED OFFICIAL USE

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THE CASE FOR THE MONETARY FUND.

4. LUXEMBOURG AUTHORITIES VEHEMENTLY DISPUTE THESE BRITISH CONTENTIONS. THEY POINT OUT THAT THE EUROPEAN INVESTMENT BANK AND VARIOUS FINANCIAL SERVICES OF THE COMMISSION AS WELL AS THE EUROPEAN COURT OF JUSTICE AND THE EUROPEAN PARLIAMENT FUNCTION EFFICIENTLY HERE. IN ADDITION LUXEMBOURG IS BECOMING AN INCREASINGLY IMPORTANT FINANCIAL CENTER WITH 60 BANKS ALREADY LOCATED IN GRAND DUCHY. THE TECHNICAL REPORT OF THE COMMISSION APPROVING THE ESTABLISHMENT OF THE FUND IN LUXEMBOURG BELIES THE BRITISH CONTENTION THAT THE FUND COULD NOT OPERATE EFFICIENTLY.

5. LUXEMBOURG OFFICIALS WE HAVE SPOKEN TO BELIEVE THAT PART OF THE REASON FOR THE BRITISH OBJECTION LIES IN PRESSURE FROM THE CITY AG
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